

## REMARKS

This preliminary amendment adds no new matter and is supported by the specification. Please enter the above amended claims for consideration prior to examination of the above-referenced patent application.

Applicants submit that the above claims are allowable over the art cited in the Final Office Action of June 4, 2003 for the following reasons reiterated here from Applicants' August 29, 2003 response to the Final Office Action of June 4, 2003. In the Final Office Action of June 4, 2003, the Examiner rejected claims 157-168, 170-186 and 188-199 under 35 U.S.C. § 103(a) as being unpatentable over U.S. Pat. No. 6,415,265 ("Shell-CIP") in view of AMWAY® Products Delivered on your Schedule, Customer Order Worksheet ("the Amway reference").

### **I. THE SHELL REFERENCES**

Shell-CIP was filed on June 30, 2000. Shell-CIP is a continuation-in-part of U.S. Patent No. 6,134,533, filed Nov. 25, 1996 ("Shell-Original"). However, the earlier filed Shell-Original was not cited by the Examiner in his rejections of June 4, 2003.

The above captioned application claims priority as a continuation to U.S. Pat. Application Serial No. 09/515,860, filed Feb. 29, 2000, which, itself, claims priority to U.S. Provisional Patent Application Serial No. 60/122,385, filed March 2, 1999, and US. Provisional Patent Application Serial No. 60/126,493, filed March 25, 1999. The provisional applications filed on March 2 and March 25, 1999, the parent application filed on Feb. 29, 2000 and the above captioned application include the same substantive disclosure of standing orders. Shell-CIP was filed at least 16 months after the above captioned application's priority date. Accordingly, Shell-CIP is not prior art.

To expedite prosecution of this application, Applicants responded to the June 4, 2003 Final Office Action as though Shell-Original was the cited reference. Applicant requests that, in future correspondence, the Examiner provide citations to those portions of the references, including Shell-Original, that are relied upon.

## **II. JUNE 4, 2003 REJECTIONS UNDER 35 U.S.C. § 103(a)**

### **A. Independent Claims 157, 174, 192, 195 and 197**

Independent claims 157, 174, 192, 195, and 197 were rejected under 35 U.S.C. § 103(a) as being unpatentable over Shell-Original in view of the Amway reference.

Independent claim 157 requires generating a profile that specifies a recurrence of an order so that the order automatically recurs one or more times. Likewise, independent claim 174 requires an order management system operative to generate a profile that specifies a recurrence of an order so that the order automatically recurs one or more times. Similarly, independent claim 192 requires repetitively sending a product or repetitively providing a service in response to establishing an automated order. Independent claim 197 similarly requires providing a standing order profile operable to allow a user to set up an automated order system that sends products and/or services to the user at regular intervals. In a similar manner, independent claim 195 requires establishing a standing order. A standing order is an order that repeats or recurs.

Contrary to the allegation by the Examiner in the Final Office Action of June 4, 2003, Shell-Original does not suggest automatically repeating an order, an order that automatically recurs, a standing order or sending products and/or services to the user at regular intervals. Shell-Original discloses a “server system for multi-level vending of any electronically transferable product through a communications network directly to a customer's computer. This server system (herein called a Sales Support Server) integrates the collection of a payment via the network and the automatic distribution of the product with the calculation of commissions using a multi-level marketing commission structure and the distribution of commissions and fees via the network. The preferred configuration includes a client application (herein called a Sales App) which runs as a plug-in to a network browser on the customer's computer and which provides a purchase request and registration data to a Sales Support Server and performs the installation of the product on the customer's computer. The Sales Support Server acquires the payment, transfers the product, calculates and pays the commissions, and adds the purchaser's registration information to the multi-level sales database for the product.” *See* Shell-Original, Abstract.

Shell-Original further discloses an automatic shipment system for distribution (col. 1, lines 40-44). A server issues shipping orders to send a product to the customer and/or vends an electronically transferable product directly to the customer's computer (col. 1, line 66 – col. 2, line 5). The products or services are provided in response to a purchase of the product using the system (col. 2, lines 60-64). The purchaser establishes a connection, selects a product, and authorizes payment (col. 4, lines 10-34). Shell-Original is directed to a process and system for single orders or transactions (see col. 4, line 35). The customer support is for making changes to a single order. Shell-Original provides for automated or "on-line" multi-level vending where a user connects and places each order. Shell does not provide for automatic repetition of an order, automatic recurrence of an order or a standing order.

One of ordinary skill in the art would not be motivated to combine Shell-Original and the Amway reference for at least the following reasons:

1. Shell-Original teaches away from the Amway reference;
2. The system disclosed by Shell-Original is incompatible with the system disclosed by the Amway reference; and
3. Shell-Original fails to teach a need for the system disclosed by the Amway Reference.

**1. Shell-Original teaches away from the Amway reference**

While the Examiner provided an accurate definition of multilevel marketing ("MLM") in general, one of ordinary skill in the art would appreciate that there are different variations of MLM systems. Shell-Original discloses a product based MLM system wherein the position of a new seller within the organization, i.e. commission structure, is under the existing seller who informed the new seller of a product or group of products. In a product based MLM system, therefore, a particular seller may occupy multiple positions relative to other participants depending upon who introduced the seller to a given product or group of products. See Shell-Original, col. 1, lines 25-39; col. 5, lines 44-48 and 50-52; col. 7, lines

60-62; col. 9 line 66 – col. 10, line 1; and claims 1-12; also *see* Shell-CIP col. 3, lines 9-17 further defining the disclosure of Shell-Original.<sup>1</sup>

As is known in the art, the Amway reference is directed to an organization based MLM in which the position of a new seller in the organization, i.e. commission structure, is under the participant who introduced the new seller to the MLM organization. In an organization based MLM system, therefore, a particular seller's position remains fixed relative to the other participants regardless of who introduces them to particular products or groups of products.

In teaching a product based MLM system, therefore, Shell-Original teaches away from the organization based MLM system disclosed by the Amway reference, and, therefore, one of ordinary skill in the art would not be motivated to combine these distinct MLM systems.

**2. The system disclosed by Shell-Original is incompatible with the system disclosed by the Amway reference**

The system disclosed in Shell-Original is further directed to a system for the one-time distribution of goods to a particular consumer, such as durable goods or goods purchased one time by a consumer, and which are not predictably consumed over time or with each use. For example, computer software or software documentation. *See* Shell-Original, Abstract and col. 1, lines 40-43. Shell-Original fails to disclose the applicability of the disclosed system to goods which are predictably consumed by the consumer over time or with each use and which are periodically replenished. Conversely, the Amway reference specifically discloses a system used to order such goods. There is no suggestion to combine the one-time goods distribution system of Shell-Original with the recurring goods distribution system of the Amway reference. It will be appreciated that a one-time good is typically sold only once, and, therefore, there is no need for a recurring order system which repeatedly ships a given product to a consumer at regular intervals. For example, a consumer does not typically

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<sup>1</sup> See the file history of U.S. Pat. No. 6,415,265, Notice of Allowability, Reasons For Allowance, page 3, lines 17-20; and the file history of U.S. Pat. No. 6,408,281, Notice of Allowability, Reasons For Allowance, page 4, lines 4-7, the Examiner noting that the limitation involving "product based multilevel commissions

purchase a copy of Microsoft Word®, hardcopy documentation for a computer program, or a washing machine every other month as these goods are not depleted with use or over time.

In particular, the two systems are mutually incompatible. As the Examiner correctly points out, “it is important for orders and quantities to be defined as much as possible...When a seller knows how much of a product must be sent, the seller can plan his inventory more effectively and be able to perform his contractual obligations. Similarly, buyers can make commitments for down-stream distribution when they are assured that they will have the materials on hand to sell to a second party. When such planning is not done properly, lawsuits and economic chaos may result. Uncertainty may lead to increased costs to buyers and sellers alike and may ultimately impact the economy as a whole, resulting in lost jobs and opportunities.” *See* the Final Office Action of June 4, 2003, page 9, line 16 – page 10, line 3. The standing order system of the Amway reference does provide such market certainty for products which are predictably consumed by the consumer over time or with each use. Rates of consumption for such products, such as toothpaste or laundry detergent, can be predicted manually by the IBO using a worksheet based on a given household size and usage habits. Based on these rates of consumption, a standing order can be manually generated and implemented to ensure that these products are ordered and replenished as they are consumed. However, in a distribution system for one-time goods, as taught by Shell-Original, a standing order system, such as that taught by the Amway reference, does not alleviate the marketplace uncertainty, but rather increases uncertainty and economic burden on the participants of such a system. It is difficult, if not impossible, to predict when a product, such as a computer program or program manual, might need to be replaced and re-ordered. Using the standing order system of the Amway reference, a distributor of such goods would likely become overwhelmed with inventory as products continue to arrive, regardless of whether or not inventory is being sold. A standing order system would then be useless in the distribution of these one-time goods. Therefore, one of ordinary skill in the art would not be motivated to combine Shell-Original with the Amway reference.

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*and fees” was prosecuted extensively in the parent application, now U.S. Pat. No. 6,134,533, as being the inventive feature.*

In addition, although the examiner argues that Shell-CIP discloses an interactive web-based system for fulfilling orders for such consumable products as cosmetics and health supplements; such disclosure was added in Shell-CIP (Col. 1, lines 48-54) and is not present in Shell-Original, and therefore, as described above, does not constitute prior art. *See* the Final Office Action of June 4, 2003, page 5, line 7. Further, the subsequent addition of this disclosure later in the Shell-CIP reference further demonstrates that the subject matter was not obvious at the time Shell-Original was filed.

**3. Shell-Original fails to teach a need for the system disclosed by the Amway Reference**

Further, the system disclosed in Shell-Original is directed to a centralized distribution system through which products, such as computer software and other electronically transferable products, are vended and shipped directly to the consumer. *See* Shell-Original, Abstract and col. 1, lines 45-51, col. 1 line 66- col. 2, line 5 and col. 4, lines 10-34. As known in the art, the Amway reference is directed to an MLM business model in which products are physically delivered to the consumer through a chain of independent distributors. The standing order program described by the Amway reference is directed to the last level of distributors who ultimately either consume the products themselves or deliver the products to the end-consumer. *See* the Amway reference, page 3 generally. By using the standing order system described in the Amway reference, these distributors could stabilize and maintain product flow through the chain of distributors to the end consumer as well as minimize the necessary inventory levels of each distributor, thereby reaping the benefits described by the Examiner as noted above. However, in the centralized distribution system of Shell-Original, the participants, i.e. sellers, were not distributors, maintained no inventory and did not physically handle or deliver products. In fact, sellers were rewarded with MLM commissions simply by recommending a product to another consumer, which is the basis of the product based MLM of the Shell-Original system. *See* Shell-Original, col. 1, lines 5-39. Shell-Original, therefore, fails to teach a need for a system for stabilizing and maintaining product flow and inventories throughout a chain of sellers. Accordingly, one of

ordinary skill in the art would not be motivated to combine Shell-Original with the Amway reference.

For at least these reasons, independent claims 157, 174, 192, 195, and 197 are not obvious in view of the combination of Shell-Original and the Amway reference. Accordingly, Applicants request that the Examiner withdraw this rejection of independent claims 157, 174, 192, 195, and 197.

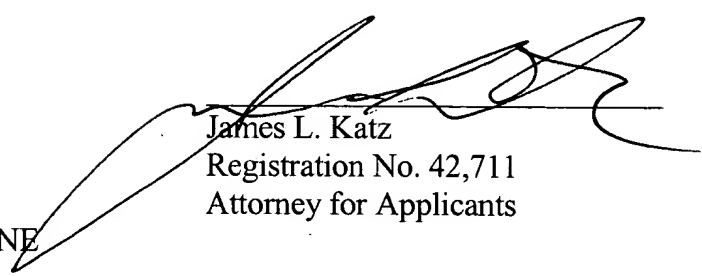
**B. Dependent Claims 158-173, 175-191, 193, 194, 196 and 198-199**

Dependent Claims 158-173, 175-191, 193, 194, 196 and 198-199 were also rejected pursuant to 35 U.S.C. § 103(a) as being unpatentable over Shell-Original in view of the Amway reference. Dependent claims 158-173, 175-191, 193, 194, 196 and 198-199 should be allowed for the reasons set out above for the independent claims. Applicants therefore request that the Examiner withdraw this rejection of these claims. Further limitations of the dependent claims are not disclosed by either of the Shell or the Amway reference references. For example, neither discloses: receiving multiple orders as claimed in claims 165 and 183; user modification of the profile as claimed in claims 166-169 and 184-187; generating a profile as defined in the claims from a shopping cart as claimed in claims 170 and 188; and a member or IBO as claimed in claims 162 and 178. As indicated by the Examiner, Shell does not disclose a member and an IBO. The Examiner notes that Shell discloses different levels of commission. However, “member” and “IBO” are specific terms. For example, member is defined in the specification as “eligible to buy products at a Member price and is not eligible to earn compensation.” Providing different levels of compensation as done in Shell does not suggest a member or someone eligible to receive a discount price but not eligible to earn compensation.

The Examiner is invited to call the undersigned if it would expedite the prosecution of this application.

Respectfully submitted,

12-3-03  
Dated

  
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